

Methodology for Estimating Impact from Public Charge Rule Change on San Francisco's Medi-Cal Population, Safety Net Health System, and Local Economy

San Francisco Department of Public Health's conducted several different analyses to understand the potential impacts from public charge rule changes. These included examining: (1) Projected disenrollment from public health coverage; (2) Lost revenue due to Medi-Cal disenrollment; (3) Increased charity care expenditures due increased uncompensated care; and (4) local economic impact from lost Medi-Cal revenue.

Disenrollment from Public Health Coverage:

- Total number of Medi-Cal enrollees who could be impacted by rule change estimated by calculating the total number of Medi-Cal recipients (both citizens and non-citizens) living in households with at least one non-citizen residents. Citizens receiving benefits were included because the draft rule would allow the public charge determination process to consider use of public benefits by dependents, regardless of their citizenship status. These data estimates were extracted from local social services administrative data systems.
- The number of individuals who may disenroll due to the rule changes estimated by applying disenrollment rates of 13%, 25%, and 35% to the total number people impacted by rule change. Rates were selected in following with previous research examining the effect welfare reform had on immigrant families.¹ Unlike the current draft policy, welfare reform did not affect immigration status, thus, analysis may underestimate the impact on participation in public health coverage.

Increase in Charity Care Expenditures:

- Charity care costs may serve as proxy for the cost of caring for those who become uninsured due to disenrolling from public benefits.
- Potential increase in charity care estimated by multiplying the average cost of charity care per recipient at the local safety-net hospital by the number of people projected to disenroll from public coverage.² Estimate assumes that all those who lose public health coverage will receive some form of charity care. Charity care cost estimates were retrieved from the annual [SFDPH Charity Care Report](#) (required by local ordinance).

Lost Medi-Cal Revenue:

- Potential loss in Medi-Cal revenue from disenrollment was estimated by examining one the primary Medi-Cal revenue streams SFDPH receives- Medi-Cal Managed care capitated payments from DHCS. The revenue from capitated payments does not include other state and federal revenue SFDPH receives for care for its Medi-Cal patients, including, but not limited to: Wrap-Around, DSH, and incentive-based payments.
- Total annual Medi-Cal revenue lost from disenrollment estimated by multiplying the average revenue received per Medi-Cal Managed Care member by number of Medi-Cal enrollees projected to disenroll.

¹ Artiga, Samantha, Anthony Damico, and Rachel Garfield. "Potential Effects of Public Charge Changes on Health Coverage for Citizen Children." Issue Brief. San Francisco, CA: Kaiser Family Foundation, May 2018. <https://www.kff.org/disparities-policy/issue-brief/potential-effects-of-public-charge-changes-on-health-coverage-for-citizen-children/>; Neeraj Kaushal and Robert Kaestner, "Welfare Reform and Health Insurance of Immigrants," *Health Services Research*, 40(3), (June 2005), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361164/>; Namratha R. Kandula, et. al, "The Unintended Impact of Welfare Reform on the Medicaid Enrollment of Eligible Immigrants, *Health Services Research*, 39(5), (October 2004), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361081/>; Rachel Benson Gold, *Immigrants and Medicaid After Welfare Reform*, (Washington, DC: The Guttmacher Institute, May 1, 2003), <https://www.guttmacher.org/gpr/2003/05/immigrants-and-medicaid-after-welfare-reform>.

²Average charity care cost estimated by dividing total traditional charity care costs for local safety net hospital by total number of unduplicated recipients who received emergency, inpatient, and/or outpatient services.

Impact on Economic Activity:

- Estimated the local economic impact from lost Medi-Cal expenditures by applying economic multipliers identified in the literature. While region-specific multipliers were not available for San Francisco or California, studies examining the per year economic impact of health care services in other states have used multipliers ranging from 1.43 to 2.29. These multipliers were applied to the potential loss in Medi-Cal managed care capitated payments revenue resulting from disenrollment to estimate loss in economic activity in the region per year.
- Government spending can have a direct and indirect impact on economic activity.³ Studies estimating the impact of increased Medicaid expenditures on economic activity predominantly use region-specific healthcare service multipliers.⁴⁻⁵ In these studies, health care services multipliers are applied to Medicaid expenditures to estimate “outputs” or increases in regional GDP.
- This methods for estimating impact on the economy rely on multiple assumptions, including: (1) assumes that projected losses in Medi-Cal expenditure will not be supplemented through other forms of health care expenditures (e.g. charity care costs); (2) assumes that the multiplicative effect of increased government spending is the same as decreased government spending; (3) the regional multipliers used in this analysis were pulled from models to estimate impact in jurisdictions that may differ from the San Francisco context, and to estimate impact of state level spending rather than local level expenditures.

³ Chodorow-Reich, Gabriel, Laura Feiveson, Zachary Liscow, and William Gui Woolston. "Does State Fiscal Relief during Recessions Increase Employment? Evidence from the American Recovery and Reinvestment Act." *American Economic Journal: Economic Policy* 4, no. 3 (April 2012): 118–45. <https://doi.org/10.1257/pol.4.3.118>; Suárez Serrato, Juan Carlos, and Philippe Wingender. "Estimating Local Fiscal Multipliers." Working Paper. National Bureau of Economic Research, July 2016. <https://doi.org/10.3386/w22425>.

⁴ One cited model calculates output results based on three different levels of impact –direct, indirect, and induced—using region-specific matrices of how dollars spent in health care transfer through the economy between industries and people: (1) Health care spending (direct effect): For example, increased health care spending may result in increased hospital bed purchases; (2) Spending by other local industries (indirect effect): For example, a hospital bed manufacturer may need to hire more workers and buy fabricated metal. (3) Household spending (induced effect): the household spending of the employee income (from both direct and indirect effects) in the economy. Through these three effects (direct, indirect, and induced), spending on Medicaid benefits has a greater economic effect than just the amount of new health care spending.

⁵ The Oregon Health Authority. "Estimated Financial Effects of Expanding Oregon's Medicaid Program under the Affordable Care Act (2014–2020)." The Oregon Health Authority, February 2013; Brown, Charles, Steven B. Fisher, and Phyllis Resnick. "Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY 2015–2016 through FY 2034–35." *The Colorado Health Foundation*, 2016; Price, Carter C., Julie M Donohue, Evan Saltzman, Dulani Woods, and Christine Eibner. "The Economic Impact of Medicaid Expansion on Pennsylvania." *Rand Health Quarterly* 3, no. 2 (June 1, 2013). <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4945170/>.